

# **Accounting for State and Federal Recovery Act Funds**

October 7, 2009

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# BARS Chart of Accounts Fund Numbers

- **Funds assigned in BARS for Recovery Act:**
- Funds 2990 – 2999 are assigned as Federal and State Recovery Act (Funds 2990 – 2999 were removed from designation as strictly federal funds in the BARS Chart of Accounts)
  - **Fund 2990** – HB 645 Local Government Infrastructure Grant Program
    - If the project is related to governmental fund activities
  - **Funds 2991 – 2999** and/or **Funds 4990 – 4999** for Capital Projects
    - Assign as needed for projects relating to governmental funds
  - For Enterprise Funds – use a sub-fund if necessary to track project revenues and expenses
    - Example 5211, 5311, 5411

**Use these funds at your discretion – to track the revenues and expenditures of your Recovery Act projects.**

# BARS Chart of Accounts Fund Numbers

- Projects involving multiple funding sources:
  - You may use the fund number that corresponds to the project (an example TSEP Fund 2892)
  - Carefully code revenues and expenditures in order to track the funding source that corresponds with that revenue or expenditure
  - For revenues - verify information from the funding source, is this revenue state or federal. Code the revenue accordingly.

# BARS Chart of Accounts Revenue Coding

- **Very important first step:**
  - Verify from the funding source –
    - Is the revenue a state or federal revenue?
- **Intergovernmental revenues:**
  - **331XXX – Federal Grants**
  - **334XXX – State Grants**
  - **381XXX – Proceeds of Long-Term Debt**

# BARS Chart of Accounts Revenue Coding

- **State revenue numbers assigned in the BARS Chart of Accounts:**
- Revenue #334990 - HB645 Local Government Infrastructure Grant
- Revenue #334991 – 334999 – Assign as needed for revenues from state funding sources

# BARS Chart of Accounts Revenue Coding

- **For projects funded from federal recovery act sources:**
- Revenue #331990 – 331999 – Federal sources
  - Assign as needed to segregate resources for separate projects.
  - Use these revenue account numbers at your discretion to ensure you can track the revenues to comply with reporting requirements

# BARS Chart of Accounts Revenue Coding

- Some projects can include state and federal grants as well as loan proceeds.
  - It is important to code these revenues accurately for reporting purposes.
  - An example is a project funded by TSEP and CDBG
  - TSEP is a state revenue
  - CDBG is a federal revenue
    - Always refer to the manual provided by the funding source.

# BARS Chart of Accounts Expenditure Coding

- Expenditures should be classified by function, activity and object as assigned in the BARS Chart of Accounts
  - Examples:
    - 411240 – Facilities Administration Improvements
    - 430230 – Road & Street Construction
    - 430500 – Water Utilities
    - 430600 – Sewer Utilities
    - 470400 – TSEP/HOME Infrastructure
    - You may adjust the expenditure numbers as needed to segregate expenditures as needed to track (use caution not to use a previously assigned number)
      - Example: 411241 – Facilities admin – Recovery funds – energy-efficiency project



## Project example:

- City of Optimism, Montana receives the following for a wastewater project:
  - \$225,000 – HB645 Infrastructure Grant
  - \$110,000 – TSEP Recovery Funds (on a reimbursement basis)
    - Coding of revenue is:
      - 5310 – 101000 – 202,500 debit cash
      - 5310 – 334990 – 202,500 credit (HB645 Infrastructure – 90% of grant)
        - This entry is made as part of the cash receipting process

## Project example:

- The City of Optimism begins their project:
  - Clerk receives claims for Engineering fees and final construction costs she pays the claims and prepares a drawdown request to TSEP:
    - 5310 – 430640 – 950 – \$10,000 debit (Nuts & Bolts Engineering Firm)
    - 5310 – 101000 – \$10,000 - credit cash
    - 5310 – 430640 – 950 - \$325,000 debit (Sewers R-US Construction)
    - 5310 – 101000 - \$325,000 credit cash
      - These entries are part of the claims process

## Project example:

- The City of Optimism project is complete:
  - Clerk receives the TSEP drawdown and the final 10% of HB645 Infrastructure Grant:
    - 5310 – 101000 – 132,500 debit cash
    - 5310 – 334990 – 22,500 credit (final 10% HB645 Infrastructure Grant)
    - 5310 – 334120 – 110,000 credit (TSEP drawdown)
      - The entry is part of the cash receipting process

## Project example:

- Year-end entries to show construction:
    - 5310 – 189400 – Transmission & Distribution debit \$335,000
    - 5310 – 430640 – 950 credit - \$335,000
- Prepare a general journal voucher
- If using a sub fund call our office for assistance

## Accounting for capital assets

- Review your entity's capital asset policy to determine if your project will be part of a capital project or an improvement to an existing capital asset.
- Code capital outlay projects using the appropriate object numbers – see the BARS Chart of Accounts (Objects 900 – 950)

# Accounting for capital assets

- The cost of a capital asset should include the purchase price or construction cost and other costs necessary to place the asset in use:
  - Administration fees, legal fees, architect fees, site preparation costs, transportation charges, surveying fees.
  - Check to see what fees are allowed by your funding source.

# Accounting for capital assets

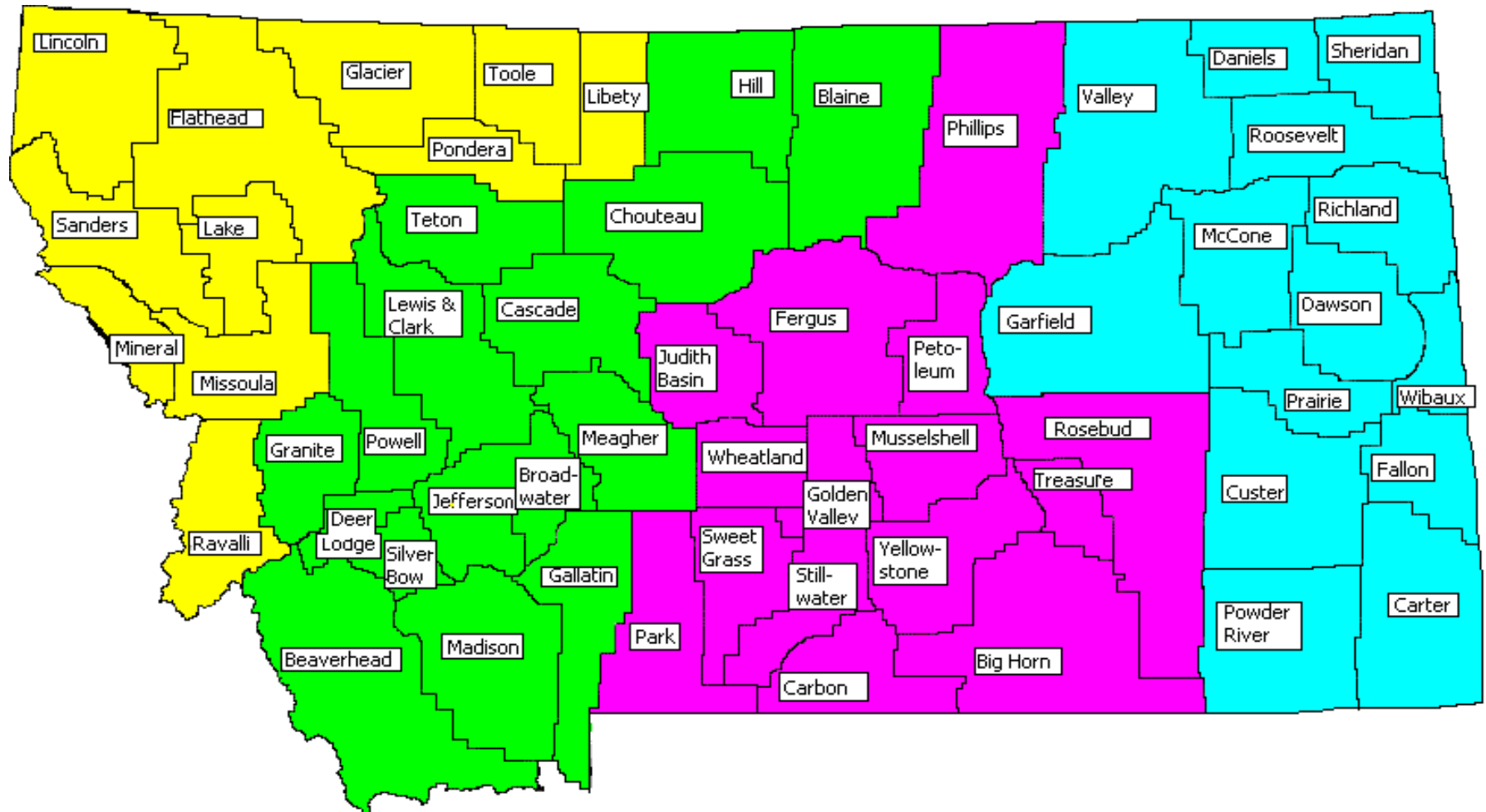
- Year-end entries for acquisition of capital assets:
  - **Governmental funds** – add the acquisition costs to your capital asset/depreciation list or capital asset software program. Leave the capital outlay costs as expenditures. The assets are not reported in the governmental funds only in the preparation of the government-wide financial statements at year-end.
  - **Enterprise funds** – Reverse the capital outlay expense and add to the appropriate capital asset account or construction in progress by general journal voucher as part of your year-end closing entries.

# Audit requirements:

- It is important to code your revenues accurately according to source, state or federal, to determine your audit needs at year-end.
- Single Audit Act – If revenues exceed \$500,000 in a year an audit is required.
- OMB Circular A-133 (Federal audit) – If the recipient expends \$500,000 or more in a year in federal awards.
- Some grants include funds in their project budget to cover all or a portion of the audit costs. Ask the funding source if the project allows for budgeting of audit costs.
- An Audit Roster of approved auditors is on the LGSB website.



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# Questions & Discussion

